

Canada has room to run deficits, Poloz says

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Canada is in a very good fiscal situation and should not be worried about running up deficits at this point, Bank of Canada Governor Stephen Poloz said in a television interview aired on Sunday.

The comments support Prime Minister Justin Trudeau and his Liberal government, which is set to run a deficit of \$29.4-billion in the current fiscal year as it pours money into infrastructure and a tax credit for families.

Pressed in an interview with Global television on whether there is a danger to running budget deficits, Mr. Poloz said Canada is a long way from that point.

“There is a balance somewhere but I can tell you that I think we’re pretty far away from that balance point,” Mr. Poloz said in an interview with Global’s *The West Block with Tom Clark*.

“Now you’re right, there is a balance point in all this, but Canada is in a very good fiscal situation so we shouldn’t be worrying about that at this time,” he said.

Mr. Poloz said investing in infrastructure should help companies boost growth, which in turn will help government revenue.

“In the case of a targeted investment by government, which is identified in such a way that it will be growth enabling, it’s very likely to pay off very well,” he said. “That is, it creates more economic growth for all those that use that infrastructure and that, of course, creates tax revenues and the system keeps turning.”

He also said leveraging up infrastructure spending using private money, primarily from pension funds, is “a very good plan.” Finance Minister Bill Morneau said on Friday he would consider the recommendation of an advisory council to set up an infrastructure development bank.

Last Wednesday, Poloz said the central bank had actively discussed cutting interest rates to help boost the economy but held rates steady as it cut the growth forecast for 2016 and 2017.

Poloz said uncertainty about the U.S. election was holding back business investment and that a declining labour force means Canada’s real economic growth rate would average 1.5 per cent “for the foreseeable future.”